

APPENDIX 3



King County Executive
RON SIMS

September 5, 2001

Cheryle A. Broom
King County Auditor
516 Third Avenue
Seattle, WA 98104

Dear Ms. Broom:

Thank you for your memorandum of August 6, 2001, transmitting the preliminary draft of the "Special Study -- Pacific Medical Center Interlocal Agreement".

The Special Study's objective was to evaluate Pacific Medical's (PacMed's) compliance with the provisions contained in the Interlocal Agreement with King County. The study concluded generally that oversight of PacMed's compliance to the Interlocal Agreement needs to be strengthened and makes recommendations to achieve improved oversight.

The Department of Public Health (doing business as Public Health - Seattle & King County (PHSKC)) agrees that monitoring of compliance could be strengthened and has taken steps over the past five years to do so. We appreciate your willingness to work with us in continuing to improve monitoring by accomplishing the actions recommended in your report.

Specific responses to the recommendations in your report are presented below:

Recommendation 4-1: The Executive and PHSKC should review the Interlocal Agreement with PacMed to ensure appropriate reporting of charity care requirements; timely transmittal to a specific oversight body(ies) and/or person(s) to review the report; and consistent and clear format of the report.

Response: The PacMed charity care report for 2000 has been received. As part of reviewing this latest report, we will review the Interlocal Agreement with PacMed to achieve the objectives of your recommendations.

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Recommendation 4-2: PHSKC should consider requesting and reviewing historical charity care data in the format as required in Attachment A of the Interlocal Agreement to ensure that PacMed was in compliance with the charity care provision of the Interlocal Agreement for all past years since bonds were issued in 1991.

Response: PHSKC will consider this recommendation as part of its review of the Interlocal Agreement with PacMed that will be occurring as we review the charity care report for 2000.

Recommendation 5-1-1: The Executive and PHSKC should ensure that all oversight mechanisms required under the PacMed Interlocal Agreement be appropriately established to ensure effective monitoring of compliance, such as policy review and annual verification of charity care service levels, and annual review of PacMed financial condition.

Response: Initial attempts to convene the Health Care Coordinating Committee were not successful and an alternative mechanism for oversight was developed subsequent to the 1996 audit. This new mechanism (Community Health Services Division) assigned oversight accountability and meets the requirement of the Interlocal as a successor in function to the committee.

Recommendation 5-1-2: The Executive and PHSKC should apprise the Metropolitan King County Council of the mechanisms established to oversee the PacMed Interlocal Agreement by the Executive branch and transmit timely reports of any compliance issues.

Response: PHSKC agrees with the recommendations.

Finding 5-2: (No Recommendation) PacMed has met the requirement to have an annual audit of its operations conducted; however, the audit reports were not submitted to any county agency.

Response: PHSKC has received PacMed audits beginning with year ending December 31, 1998. We will continue to receive and review audits from PacMed as part of our implementation of Recommendation 5-1-1, which includes annual review of PacMed's financial condition.

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Recommendation 7-1-1: PHSKC and the Executive should prepare an appropriate motion to submit Amendment 1 to the Interlocal Agreement for Metropolitan King County Council review and approval.

Recommendation 7-1-2: PHSKC should ensure that Amendment 1 to the PacMed Interlocal Agreement follows appropriate review and approval procedures including appropriate signature authority, legal review and proper references.

Response: PHSKC agrees with Recommendations 7-1-1 and 7-1-2. PHSKC had questions concerning the procedure for review and approval of the PacMed Interlocal Agreement, and, on advice of Executive staff, PHSKC contacted the Prosecuting Attorney's Office (PAO) for guidance. The PAO informed PHSKC that the agreement even though not approved by the Council was legally binding. Based on PAO advice, PHSKC concluded that the process was complete and did not need further review and approval. PHSKC now understands this process was incorrect and has amended their procedure.

Recommendation 7-2-1: PHSKC should ensure that monitoring of existing reporting requirements continues while a new amendment to the Interlocal Agreement is negotiated and approved.

Recommendation 7-2-2: PHSKC should work closely with PacMed to ensure that appropriate definitions, source data, and/or examples be included in any amendment to the Interlocal Agreement to ensure meaningful charity care reports are prepared and transmitted so adequate monitoring of charity care requirements can occur.

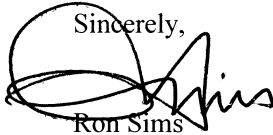
Response: Amendment 1 will be submitted to the County Council for review and approval. It was the product of lengthy negotiations between PacMed and PHSKC. Representatives of the community health centers also participated in these negotiations because comprehensive specialty care services to patients of the regional community clinic system as well as PHSKC have been a priority component of the charity care requirement.

It is our belief that the representatives of the three entities that negotiated the amendment are experts in the definition of charity care in the community health system environment. With their help, we will work to clarify the format of the charity report to assure that adequate monitoring of the charity care requirements occurs.

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PHSKC management appreciates the opportunity you provided to meet with County Auditor staff in the development of this draft report. While staff believes there are remaining differences in agreement on the extent to which reports received from PacMed adequately assured that the appropriate level of charity care was provided, we will direct our efforts to ensure more effective oversight of PacMed's compliance to the Interlocal Agreement.

Sincerely,

Ron Sims
King County Executive

RS: eo

cc: Rod Brandon, Assistant County Executive, King County Executive Office
David Lawson, Manager, Executive Audit Services
Dr. Alonzo Plough, Director and Health Officer, Public Health – Seattle & King
County
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